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FISCAL IMPACT STATEMENT

LS 7068

BILL NUMBER: SB 394

NOTE PREPARED: Jan 15, 2006

BILL AMENDED:

SUBJECT: Indianapolis/Marion County Consolidation.

FIRST AUTHOR: Sen. Breaux

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill has the following provisions.

Consolidation of Townships: The bill provides, beginning January 1, 2009, that Marion County consists of the central township district (consisting of the area comprising the Indianapolis Public School District) and the consolidated township (consisting of all areas within the county that are outside of the Indianapolis Public School District).

It transfers all assets, property rights, equipment, records, personnel, and contracts concerning the provision of township assistance to the applicable township district on January 1, 2009. It transfers other assets, property rights, equipment, records, personnel, and contracts of a township to the consolidated city on January 1, 2009.

It provides that the indebtedness of a township not connected with the provision of township assistance is assumed or defeased by the consolidated city. It exempts property taxes imposed by the consolidated city for that indebtedness from the ad valorem property tax limits.

It requires township trustees and township boards representing the township districts be elected at the 2008 general election.

It provides for a transitional advisory board to make recommendations regarding reorganization of the townships.

Marion County Consolidations: In Marion County:

- (1) it eliminates the Office of Township Assessor and provides that the City Controller administers the Dog Tax and Dog Fund and the County Assessor assumes other township assessor duties and responsibilities;
- (2) it reduces the term of office for a township assessor and a township trustee elected in the 2006 general election from four years to two years;
- (3) it adjusts the membership of the County Property Tax Assessment Board of Appeals; and
- (4) it provides that ordinances and resolutions concerning budgets and appropriations for judicial officers and certain county officers are subject to veto (current law exempts those ordinances and resolutions from veto).

Small Claims Court: It replaces the Marion County Small Claims Court with corresponding township divisions of a Small Claims Division of the Marion Superior Court.

Airport Authority Law Enforcement Consolidation: It permits the consolidated city to adopt an ordinance to merge the Airport Authority's law enforcement services into the consolidated law enforcement department of the consolidated city (current law requires the Airport Authority to adopt a substantially similar ordinance).

Fire Department Consolidation: It provides that, on January 1, 2007, the township fire departments, fire protection territories, and the Airport Authority Fire Department are consolidated into the fire department of the consolidated city. It provides that the employees of the fire departments being consolidated become employees of the consolidated fire department. It provides that the property, equipment, records, rights, contracts (including labor contracts), and indebtedness related to fire protection services of the fire departments being consolidated are transferred to or assumed by the consolidated city. It establishes the process by which the fire department of an excluded city may be consolidated into the fire department of a consolidated city. It provides that the consolidated fire department shall provide emergency ambulance services in the county.

Property Tax for Fire Departments and Districts: It exempts from the ad valorem property tax limits amounts imposed by a consolidated city to fund indebtedness assumed, defeased, paid, or refunded in connection with the consolidation of certain fire departments into the fire department of a consolidated city. It establishes the annual maximum increase in the permissible ad valorem property tax levy for a consolidated city related to the fire special service district. It adjusts the maximum ad valorem property tax levy of a consolidated city for 2007 to account for the consolidation of certain fire departments into the fire department of the consolidated city.

Pension for Fire Department Consolidation: It authorizes the fire special services district to levy a tax to pay the amounts required to satisfy the 1937 firefighters' pension fund obligations. It provides that a firefighter who is a member of the 1937 or 1977 Fund remains a member of the same fund after the consolidation. It provides that a firefighter whose services for an entity are consolidated into the metropolitan law enforcement agency or the fire department of a consolidated city becomes a member of the 1977 Fund.

Issuance of Debt: It authorizes a consolidated city to issue obligations to refund obligations issued by the fire departments being consolidated into the fire department of the consolidated city.

Conformance: It makes conforming changes.

Legislative Findings: It makes legislative findings concerning the need for government consolidation in Marion

County.

Repeal: It repeals:

- (1) certain provisions concerning township board districts in Marion County; and
- (2) provisions concerning small claims courts that are replaced by this bill.

Effective Date: Upon passage; July 1, 2006; January 1, 2007; January 1, 2008; January 1, 2009.

Explanation of State Expenditures: *All Provisions Regarding Property Tax:* Assuming that taxing units will levy up to their maximum levy authority, the overall total of the affected entities' maximum levies and levies would be reduced by about \$1.2 M. As a result, state expenses for PTRC and homestead credits would be reduced by about \$275,000 per year under this bill.

Explanation of State Revenues:

Explanation of Local Expenditures: *Marion County Consolidations: Township Assessors* - All of the township assessor's responsibilities for administering the Dog Tax and the Dog Fund transfer from the township trustee to the city controller. The city controller will experience an increase in administrative duties as a result.

Also, in a county with a consolidated city, the county assessor will have the same duties and responsibilities as a township assessor in a county without a consolidated city. Included in these duties and responsibilities are the functions of an assessing official and other duties of an assessing official prescribed by statute in each township and in IC 6-1.1 concerning property tax. The county assessor will experience an increase in administrative duties as a result.

A township assessor in a county with a consolidated city is elected to a two-year term in 2006, instead of a four-year term. There is no township assessor in a county having a consolidated city beginning in 2008, with the township assessor duties transferring to the county assessor beginning January 1, 2007. Also, certain compensation for township officials would not apply in a county having a consolidated city after January 1, 2007. These changes may reduce expenses for local elections and reimbursements, but may increase costs during 2007 as the county assessor assumes the duties of the township assessors who are still in office.

Background on Township Assessors - In Marion County, the township assessors are currently responsible for all assessment functions in their respective townships. The township assessors in Marion County have several related duties that, in other counties, are the responsibility of the county assessor. Under this proposal, assessing duties are ceded to the county assessor. The controller of the consolidated city or the controller's designee would license and tax dogs and kennels. Most, if not all, of the cost for township assessor services are already paid from the county general fund or the county reassessment fund under current law. CY 2005 appropriations for township assessors were \$5.3 M from the county general fund and \$3.3 M from the county reassessment fund, for a total of \$8.6 M.

Township Trustee - The duties of the township trustee transfer to the consolidated city. In addition to Dog Tax and property assessment services, under the proposal most township services would shift to the city/county level. These services include fence viewing, and cemetery, park, and detrimental plant maintenance. Each of these services would be transferred to the most closely corresponding city/county department, office, or agency. The township executive of the two new township districts would assume responsibility for township assistance

(Poor Relief) services. Beginning in 2008, a township trustee will be elected from each township district to a four-year term as township executive. Townships would no longer be able to contract for emergency ambulance services or collect fees for ambulance services.

Transitional Advisory Board: The bill includes transitional provisions for the consolidation of the county's townships. The Transitional Advisory Board must be formed not later than July 1, 2006, to formulate recommendations regarding reorganizing the townships. The recommendations are to cover:

- (1) transferring township duties to the city or county;
- (2) providing township assistance; and
- (3) transferring township assessment duties to the county assessor.

The board is to consist of 21 members, including township trustees, city executive appointees, city/county legislative body appointees, and county commissioner appointees. Members of the board are not entitled to receive any salary for their service on the board, and the existing trustees' staff and budgets may be used to support the board's work. The Transitional Advisory Board expires no later than February 28, 2008.

Assignment of Debt: The bill would assign all township debt, except for Poor Relief to the consolidated city. In addition, the consolidated city would assume any fire services-related debt held by the airport fire department and by an excluded city fire department that joins the consolidation. Under the bill, the City may not assume any amount of debt that would cause the consolidated city's total debt to exceed the current 2% debt limit, which equals 2% of 1/3 of the consolidated city's assessed valuation. The 2005 total township debt levy was \$16.6 M. The only fire debt levy identified for an excluded city was \$577,000 in Lawrence Township.

Fire Department Consolidation: After December 31, 2006, a consolidated fire department is established in a county having a consolidated city, and will provide services to the entire county except in Beech Grove, Lawrence, and Speedway, unless those excluded cities voluntarily join the consolidated fire department. The fire department of the consolidated city assumes or receives the personnel, agreements with labor organizations, indebtedness related to fire protection services, and merit board duties. However, the consolidated city may not assume indebtedness that will exceed the limitations on the amount of indebtedness that the consolidated city may incur. The consolidated city assumes the powers, duties, agreements, and liabilities of bonds or other indebtedness.

Interlocal Agreements: The bill allows the consolidated fire department to provide fire protection services to an excluded city or a fire protection territory for which an excluded city provides fire protection through an interlocal agreement if the legislative body of the excluded city and the city-county legislative body adopt substantially similar ordinances. The ordinances must specify the effective date of the consolidation and the conditions of consolidation.

Pension - After a consolidation, members of the 1937 Fund remain members of the 1937 Fund and members of the 1977 Fund remain members of the 1977 Fund. This should result in no fiscal impact.

Township Fire Levy and Budget Information: The eight suburban townships of Marion County had the following certified budgets, levies, and rates in CY 2005 with respect to fire-related funds.

CY 2005 Township Fire Budgets & Levies									
	Fire			Cumulative Fire			Fire Debt		
Township	Budget	Levy	Rate	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	2,215,006	1,915,268	0.1894	150,150	251,796	0.0249	2,246,126	2,128,637	0.2105
Franklin	4,158,110	2,924,170	0.1610	400,000	355,986	0.0196	777,364	1,073,407	0.0591
Lawrence	9,490,570	7,225,589	0.2051	1,215,000	782,097	0.0222	0	0	0.0000
Perry	9,367,977	6,387,918	0.1975	2,214,682	695,394	0.0215	0	0	0.0000
Pike	9,186,091	9,660,391	0.2022	1,265,050	1,304,296	0.0273	0	0	0.0000
Warren	10,997,613	6,139,748	0.2059	700,000	751,441	0.0252	740,737	718,640	0.0241
Washington	14,478,863	8,853,597	0.1671	1,752,911	1,117,959	0.0211	0	0	0.0000
Wayne	14,121,364	15,344,659	0.4776	1,400,746	864,262	0.0269	5,174,414	4,816,090	0.1499
TOTAL	74,015,594	58,451,340		9,098,539	6,123,231		8,938,641	8,736,774	

	Fire Pension			TOTAL		
Township	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	0	0	0.0000	4,611,282	4,295,701	0.4248
Franklin	0	0	0.0000	5,335,474	4,353,563	0.2397
Lawrence	0	0	0.0000	10,705,570	8,007,686	0.2273
Perry	469,811	168,188	0.0052	12,052,470	7,251,500	0.2242
Pike	0	0	0.0000	10,451,141	10,964,687	0.2295
Warren	328,776	0	0.0000	12,767,126	7,609,829	0.2552
Washington	1,104,188	407,975	0.0077	17,335,962	10,379,531	0.1959
Wayne	0	0	0.0000	20,696,524	21,025,011	0.6544
TOTAL	1,902,775	576,163		93,955,549	73,887,508	

Note: The budgets listed in the above tables include certified plus additional appropriations where applicable.

Background - Fire Service Information: There are approximately 36 fire stations (including the Indianapolis International Airport station) in the eight suburban townships of Marion County. There are 8 additional stations in the three excluded cities that have fire departments.

Small Claims Courts: Consolidating the Superior Courts with the Small Claims Courts might yield some administrative savings and could realize an increase of revenue to the Marion County general fund of between \$130,000 and \$500,000, depending on the number of small claims filings in any given year. This revenue is currently deposited with the township trustee for deposit into the township general fund. Using the weighted

caseload methodology, it appears that, on average, there are no underutilized judges.

The Marion County Small Claims Court is composed of nine small claims court divisions. The Court's jurisdiction is limited to civil cases founded on contract or tort in which the claim does not exceed \$6,000, in actions for possession of property where the value of the property sought to be recovered does not exceed \$6,000, and in possessory actions between landlord and tenant in which the past due rent at the time of filing does not exceed \$6,000. These courts have no jurisdiction in actions seeking injunctive relief or involving partition of real estate; in actions to declare or enforce any lien (with certain exceptions); in actions in which the appointment of a receiver is asked; or in suits for dissolution or annulment of marriage.

As proposed, these courts would be consolidated with the Marion County Superior Courts. These courts would retain their jurisdiction and remain courts of non-record, meaning that there is no written record kept of any of the judicial decisions. Parties who wish to appeal a decision would file with the superior courts in Marion County.

Except for constables, all other court employees, including small claims judges, would be paid by the county with salaries determined by the Marion County Superior Court Executive Committee.

Caseload Changes – The Weighted Caseload Study published by the Indiana Supreme Court's Division of State Court Administration was used to identify the efficiencies of the current court systems. This study is based on a methodology that assigns a normative amount of time that each type of case would take to be resolved. Criminal cases, particularly capital murder cases take the longest (2,649 minutes), while deciding on cases involving infractions and ordinance violations should take the shortest (2 minutes each). Small claims cases should be decided in 13 minutes under this system. Based on the number of filings that each court receives and the average time that each case should require to make a decision, the weighted caseload method can estimate the number of judicial officers needed to decide these cases within this normative framework. The number of judicial officers that are needed can then be compared to the existing number of judicial officers in the locality.

Using 2004 statistics, the most recent published statistics available, the following table shows the number of judicial officers needed compared to the number in existence. For both the courts of record and the Marion County Small Claims Courts, the need for judicial officers exceeds the number of existing judicial officers. Consequently, any opportunities for these courts to share cases appears to be limited.

Comparing Judicial Officers Needed with Existing Court Officers Using the Weighted Caseload Method		
	Small Claims Courts	Courts of Record
Judicial Officers Needed	11.65	82.93
Judicial Officers Currently Existing	9.00	70.79

Expenditures and Revenues – Expenditures and revenues are reported in the annual reports of the *Indiana Judicial Reports* between 2000 and 2004. Currently, small claims court fees are deposited to, and expenses paid from, the township general fund. If both expenditures and revenues remain within the average between 2000 and 2004, the general fund of Marion County could receive between an additional \$130,000 and

\$500,000 each year in net revenue, after expenses.

Five-Year History of Expenditures for Marion County Small Claims Courts					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Judges	\$ 412,762	\$ 425,957	\$ 445,275	\$ 469,232	\$483,900
Administrator				46,000	81,269
Secretaries	92,712	109,470			92,515
Court Clerk & Other Employees	978,443	1,074,581	1,278,019	1,202,807	1,146,061
Pauper Atty				400	
Indigent Exp			2,800	-	
Special Judge	9,008	3,850	9,700	13,000	13,275
Other non-salaried	16,822		69,104	128,825	84,283
Court Interpreter					600
Supplies	120,506	147,464	163,017	226,677	159,288
Rentals	287,664	269,75	276,782	69,964	214,130
Lodging/meals		5,953		60,803	
Other Services & Charges	193,561	167,699	219,099	44,661	219,620
Legal Libraries	2,200	2,521	2,538	20,573	6,889
Other Capital Outlays	<u>21,005</u>	<u>28,000</u>	<u>53,376</u>	<u>6,000</u>	<u>36,959</u>
Total Expenditures	<u>\$ 2,134,683</u>	<u>\$ 2,235,253</u>	<u>\$ 2,519,710</u>	<u>\$ 2,288,942</u>	<u>\$2,538,789</u>

Net Revenue Generated by Marion County Small Claims Courts by Calendar Year					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Township Docket Fees	\$2,702,145	\$2,810,192	\$2,704,722	\$2,680,143	\$2,740,363
Total Expenditures	<u>\$2,134,683</u>	<u>\$2,235,253</u>	<u>\$2,519,710</u>	<u>\$2,288,942</u>	<u>\$2,583,789</u>
Revenues less Expenditures	<u>\$567,462</u>	<u>\$574,939</u>	<u>\$185,012</u>	<u>\$391,201</u>	<u>\$156,574</u>

Explanation of Local Revenues: *Property Tax Levies in General:* This bill would cause fire-related levies and obligations to be transferred from several taxing units in the county to the consolidated city taxing unit. Each of these tax levies is moving from a smaller, more localized tax base to a broader tax base. Except for

certain fire pensions, the fire tax rate would be the same for all taxpayers in the consolidated fire district.

Fire Service District Maximum Levies: The consolidated city's maximum permissible levy would be increased by the unused portion of the current fire special service district maximum levies each year. The increase would be limited to 10% of the fire special service district maximum levy. It would appear that the fire special service maximum levy could, over a period of several years, be migrated over to the consolidated city if local authorities wish to do so.

In CY 2005, the maximum levy for the fire special service district was \$36.7 M. The CY 2005 maximum levy is lower than the 2004 amount (\$38.9 M) because not all of the 2004 levy authority was used. The 2006 maximum levy is still lower at \$35.9 M. Assuming no growth, the greatest amount that may be transferred each year from the fire district maximum levy to the consolidated city's maximum levy is estimated at \$3.6 M.

Under current law, any levy authority that is not used in a year is lost. This provision allows the consolidated city to capture all unused levy authority in the fire special districts, including both intended migration amounts and the amount, if any, that would have been lost under current law due to a local decision to levy an amount that is less than the maximum.

The bill also requires the special fire district rather than the consolidated city to impose the required levy to meet pension obligations for the 1937 Fire Pension Fund.

Township and Other Fire Department Maximum Levies: The bill would increase the consolidated city's maximum levy by the amount of the fire fund maximum levy of each entity that joins the consolidated fire department. The bill requires the maximum levy of the joining entities to be reduced by the same amount.

Cumulative Fire Building Fund Levies: The bill would establish a cumulative fire building fund in the consolidated city. Cash balances remaining in the joining entities' fire cumulative funds on the consolidation date would be transferred to the consolidated city's cumulative fire fund.

Township Consolidation: The bill would redirect 66% of the eight outer townships' shares of revenue from the County Option Income Tax (COIT) to Indianapolis and Marion County. Center Township would not be affected. Sixty-six percent of the 2005 COIT revenue distributed to the eight outer townships totals \$4.7 M.

The state's Local Government Tax Control Board would review the two township districts' proposed budgets, levies, and tax rates for 2009. The Control Board would set the budget, levy, and tax rate as if the township districts were new taxing units.

The central (Center) township district's maximum levy would be based on (a) the previous year's general fund and township assistance levies in Center Township, plus (b) 35% of the previous year's township assistance levy in the other eight townships. Based on 2005 levies, the Center Township district's maximum levy could be set at \$3.5 M.

The consolidated township district's maximum levy would be based on 65% of the previous year's township assistance levy in the eight townships. Based on 2005 levies, the consolidated township district's maximum levy could be set at \$1.2 M.

The total of the two township districts' maximum levies is estimated at \$4.7 M, using 2005 levy amounts. This

amount is in contrast to the total 2005 township general and assistance fund levies of \$5.9 M. The total township district maximum levy would be about \$1.2 M less than the current levy for township general and assistance funds.

Assessor Duties: For taxes paid in 2007, this bill would increase Marion County's maximum levy by the amount levied by the townships for assessor and related services. Most, if not all, township assessor services are currently paid from the county general fund or the county reassessment fund. There would be little or no increase in the county's maximum levy under this provision.

Small Claims Courts: The Division of State Court Administration reports that Marion County Small Claims Courts reported three type of revenues: the township docket fee and two service-of-process fees.

The following table shows a five-year history of these revenues.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Township Docket Fees	2,702,145	2,810,192	2,704,722	2,680,143	2,740,363
Service of Process Fee for Certified Mail	80,117	830,347	994,144	277,391	1,068,591
Service of Process Fee for Personal Service	<u>1,293,968</u>	<u>950,195</u>	<u>1,099,396</u>	<u>1,868,585</u>	<u>1,180,794</u>
Total Revenues Collected	<u>\$4,076,230</u>	<u>\$4,590,734</u>	<u>\$4,798,262</u>	<u>\$4,826,119</u>	<u>\$4,989,748</u>

Under current law, constables who serve in the small claims court system are paid exclusively through the service-of-process fee revenue. As proposed, constables will continue to be paid from these fees. The township docket fees would be deposited in the county general fund.

Since the fee revenues exceed the reported expenditures, any net revenue that currently stays at the township level would be lost to the township if the docket fees are deposited in the county general fund.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Marion County; City of Indianapolis; Townships in Marion County; Cities of Indianapolis, Beech Grove, and Lawrence; Town of Speedway.

Information Sources: Local Government Database; 2005 Marion County Budget.

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